



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

<http://www.michigan.gov/treasury>

December 2003 Summary

U.S. Economy: December economic indicators point toward a U.S. economic recovery that is beginning to take hold. ISM indices signaled an expanding manufacturing sector for the sixth straight month and an expanding services sector for the ninth consecutive month. The index of leading economic indicators has risen for the past eight months, growing at a 5.2 percent annual rate. For the fourth straight month, industrial production was up from a year ago. Retail sales were up from the past month and increased 6.3 percent from a year ago. Consumer sentiment declined slightly in December, however preliminary readings for January show a significant increase. The weekly initial unemployment claims four-week moving average was 350,250, a level not seen since the beginning of the 2001 recession.

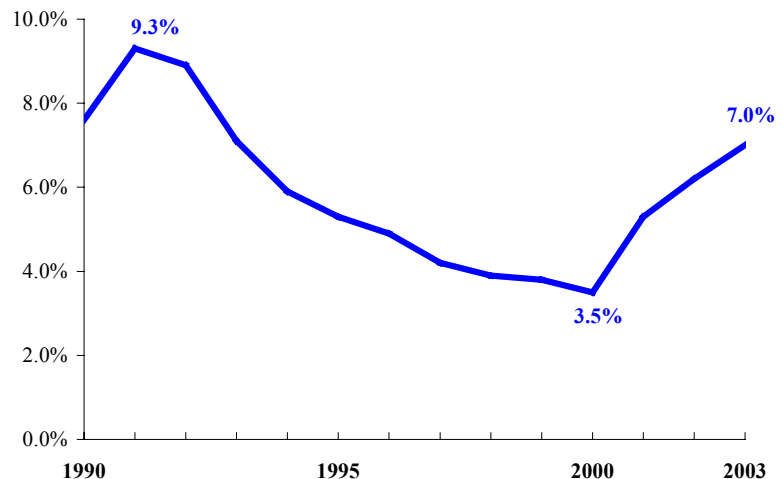
Employment: The state's 2003 annual average unemployment rate rose to 7.0 percent, up from 6.2 percent in 2002. Michigan payroll employment fell sharply by 33,000 jobs in December. Michigan's December unemployment rate increased to 7.2 percent. Nationally, payroll employment rose by 1,000 jobs. The national unemployment rate fell to 5.7 percent.

Auto Industry: At 17.7 million units, light vehicle sales rose significantly from last month. Compared to a year ago, the three-month average of vehicle production was up 3.2 percent nationally and rose 2.3 percent in Michigan. Light vehicle inventories were up 8.0 percent from a year ago.

Inflation: Compared to a year ago, overall consumer prices rose 1.9 percent; excluding food and energy prices, "core" consumer prices rose 1.1 percent. Overall producer prices were up 4.0 percent from a year ago while core producer prices were up 1.0 percent.

Michigan Metro Areas: From a year ago, the November unemployment rate rose in all twelve major labor areas. Three of the state's nine MSAs reported rate increases of 1.0 percentage point or more. Seasonally unadjusted unemployment rates ranged between 3.6 percent and 8.5 percent.

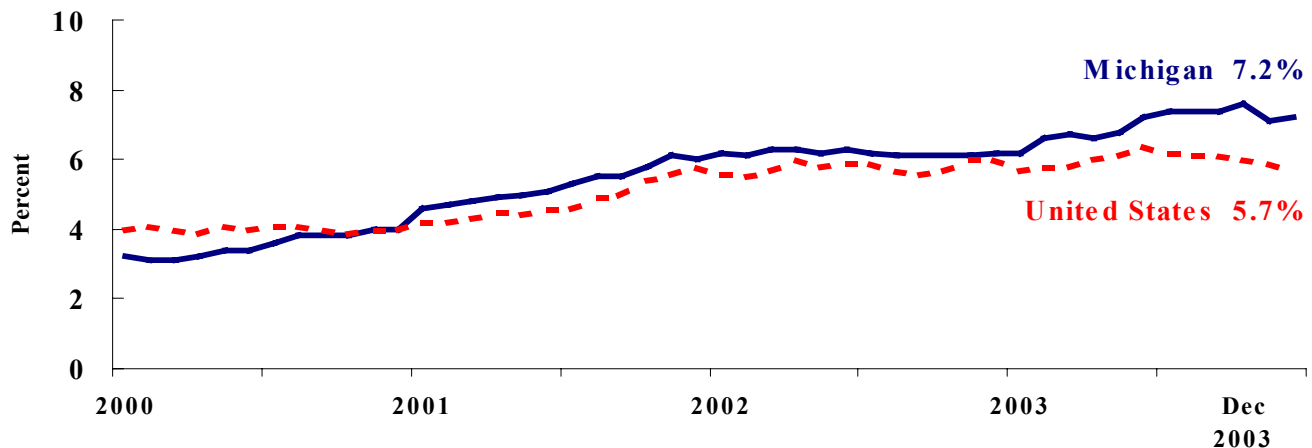
Michigan's 2003 Preliminary Unemployment Rate Highest Since 1993 ^(a)



Labor Market Statistics

- Michigan's December monthly unemployment rate increased 0.1 of a percentage point to 7.2 percent. November's unemployment rate was revised upward to 7.1 percent. Michigan's preliminary unemployment rate for 2003 is 7.0 percent, up from 6.2 percent in 2002. The December U.S. unemployment rate decreased 0.2 of a percentage point from last month to 5.7 percent. Monthly unemployment rates fluctuate due to statistical sampling errors and data revisions.

Michigan and U.S. Monthly Unemployment Rates 2000 to 2003



Source: Michigan Dept. of Career Development and Bureau of Labor Statistics, U.S. Dept. of Labor

- The number of people employed in Michigan was 4,719,000 in December, down 31,000 from last month, while the labor force decreased by 26,000 in December. The statewide total number of unemployed increased to 365,000.
- United States household employment totaled 138.5 million persons in December, down 54,000 from November. The labor force decreased by 309,000 from last month, which meant that there were 255,000 fewer unemployed people nationally compared to November 2003.

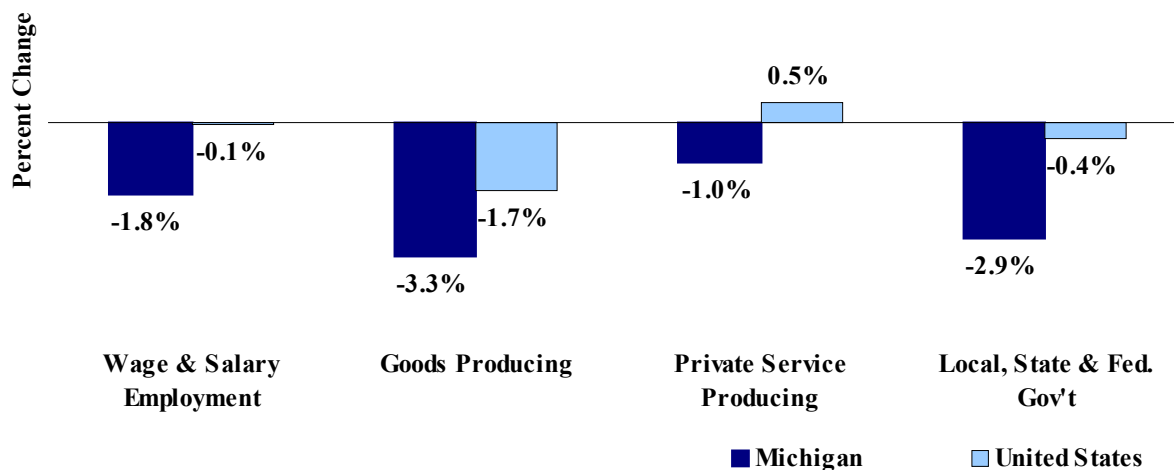
Employment by Place of Residence (in thousands)^(a)

	2003				Change From			
	Preliminary Average	Oct 2003	Nov 2003	Dec 2003	Prior Month Level	%	Last Year Level	%
Michigan								
Labor Force	5,111	5,147	5,111	5,085	-26	-0.5%	n.a.	n.a.
Employed	4,752	4,754	4,750	4,719	-31	-0.7%	n.a.	n.a.
Unemployed	359	393	361	365	4	1.1%	n.a.	n.a.
Unemployment Rate	7.0%	7.6%	7.1%	7.2%	n.a.	0.1% pts	n.a.	1.0%
United States								
Labor Force	146,516	146,892	147,187	146,878	-309	-0.2%	n.a.	n.a.
Employed	137,739	138,095	138,533	138,479	-54	0.0%	n.a.	n.a.
Unemployed	8,616	8,797	8,653	8,398	-255	-2.9%	n.a.	n.a.
Unemployment Rate	5.9%	6.0%	5.9%	5.7%	n.a.	-0.2% pts	n.a.	-0.3%

Employment by Place of Work

- From December 2002 to December 2003, Michigan wage and salary employment declined 79,000 (1.8 percent). State wage and salary employment fell 33,000 from November. Nationally, December 2003 wage and salary employment fell 74,000 (0.1 percent) from a year ago, but was up 1,000 from November 2003.

Wage and Salary Employment Growth December 2002 to December 2003



Source: Bureau of Labor Statistics, Michigan Dept. of Career Development

- In the goods-producing sector and private service-producing sector, December employment fell 3.3 percent and 1.0 percent, respectively, from a year ago in Michigan. From a year ago, December national employment in the goods-producing sector fell 1.7 percent but rose 0.5 percent in the private service-producing sector.
- Manufacturing weekly hours rose in Michigan by 0.4 hours compared to last year.

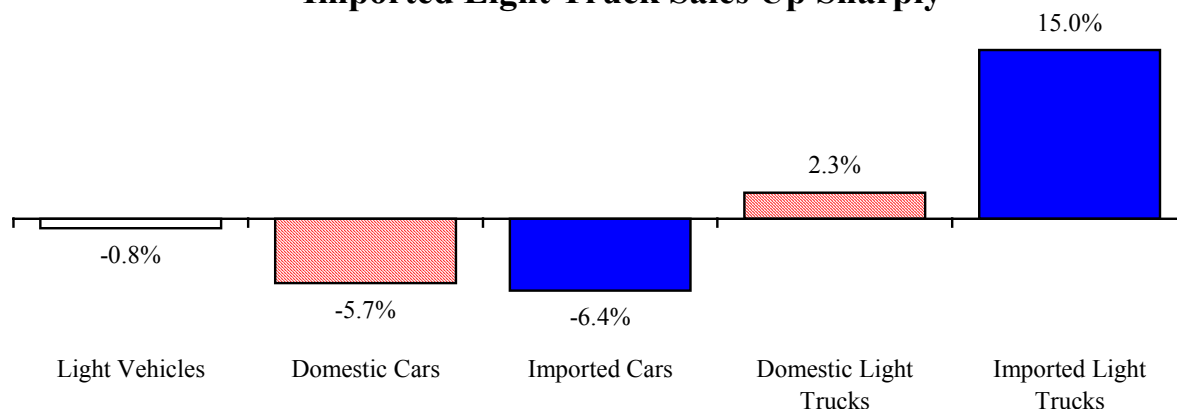
Establishment Employment (in thousands)^(b)

	Michigan				United States			
	2003 Prelim. Average	Dec 2002	Dec 2003	Percent Change	2003 Prelim. Average	Dec 2002	Dec 2003	Percent Change
Wage & Salary Employment	4,420	4,451	4,372	-1.8%	129,932	130,198	130,124	-0.1%
Goods Producing	941	961	929	-3.3%	21,817	22,323	21,942	-1.7%
Manufacturing	734	753	722	-4.1%	14,524	15,020	14,504	-3.4%
Private Service Producing	2,803	2,800	2,772	-1.0%	86,539	86,319	86,714	0.5%
Trade, Trans. & Utilities	832	836	824	-1.4%	25,275	25,378	25,201	-0.7%
Services	1,677	1,675	1,656	-1.1%	50,091	49,699	50,291	1.2%
Local, State & Fed. Gov't	676	691	671	-2.9%	21,576	21,556	21,468	-0.4%
Manufacturing Weekly Hours	42.1	43.2	43.6	0.4 hrs	40.4	40.5	40.7	0.2

Motor Vehicle Industry Sales

- Light vehicle sales rebounded in December to a 17.7 million unit rate, up 4.5 percent from last month but down 2.1 percent from a year ago.
- Compared to a year ago, domestic sales fell 0.9 percent while foreign sales declined 7.5 percent. Auto sales fell 8.2 percent; light truck sales rose 3.1 percent. Light vehicle inventories rose 8.0 percent from a year ago; days supply rose 8 days to 68 days.
- Preliminary 2003 light vehicle sales came in at a 16.6 million unit rate and are down 0.8 percent from 2002, with domestic sales down 1.2 percent and foreign sales up 0.5 percent.
- In 2003, foreign sales accounted for 19.9 percent of light vehicle sales, up slightly from 2002. Foreign light truck sales are up 15.0 percent from 2002.

2003 Light Vehicle Sales Slightly Down Imported Light Truck Sales Up Sharply



Motor Vehicle Sales Statistics

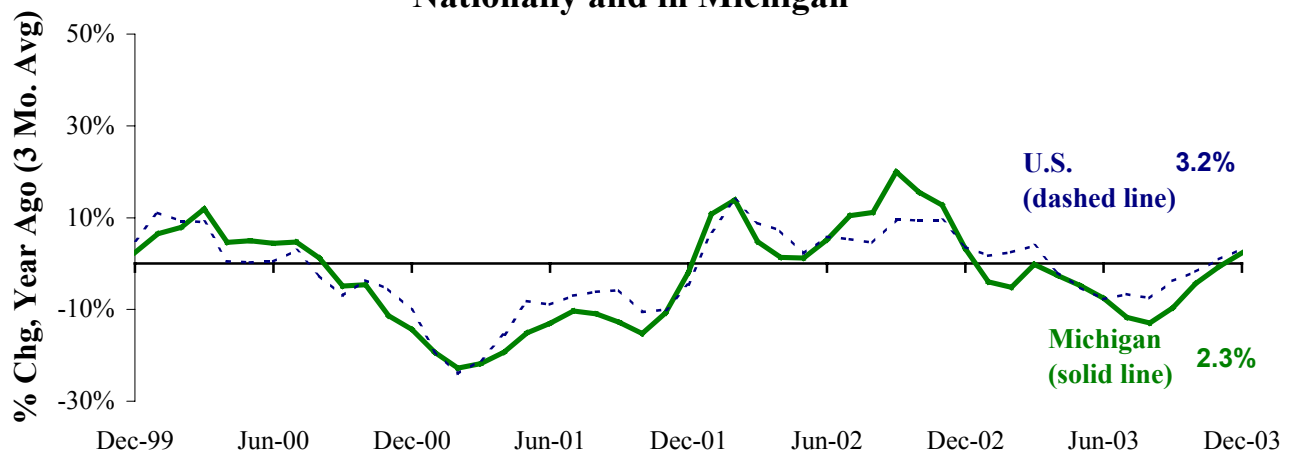
(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2003 Average	Oct 2003	Nov 2003	Dec 2003	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.6	7.2	7.8	7.6	7.5	(0.7)	-8.2%
Domestics	5.5	5.2	5.6	5.6	5.5	(0.4)	-6.8%
Imports	2.1	2.0	2.1	2.0	2.0	(0.3)	-12.2%
Import Share	27.4%	28.1%	27.4%	25.8%	27.1%	-1.2% pts	
Light Trucks	9.0	8.7	9.1	10.1	9.3	0.3	3.1%
Domestics	7.8	7.6	8.0	8.9	8.2	0.3	3.2%
Imports	1.2	1.2	1.2	1.2	1.2	0.0	1.8%
Import Share	13.5%	13.2%	13.0%	11.4%	12.5%	-0.1% pts	
Total Light Vehicles	16.6	15.9	16.9	17.7	16.8	(0.4)	-2.1%
Heavy Trucks	0.3	0.3	0.4	0.4	0.4	0.1	31.8%
Total Vehicles	17.0	16.3	17.3	18.1	17.2	(0.3)	-1.6%
U.S. Light Vehicle Inventories ^(d)		Oct-03	Nov-03	Dec-03	3 Month	Change	
Total Car	1.552	1.483	1.547	1.554	1.528	-0.023	
Days Supply	62	60	69	70	66	7 days	
Total Truck	2.151	2.158	2.252	2.183	2.198	0.300	
Days Supply	75	80	80	67	76	9 days	

Motor Vehicle Industry Production

- At 214,918 units, December Michigan light vehicle production increased 21 percent from a year ago, compared with a 16 percent increase nationally. From a month ago, Michigan production rose slightly while national production fell 2.8 percent.
- Compared with a year ago, state car production rose 21.0 percent while state truck production rose 21.6 percent. Nationally, car production increased 3.4 percent while truck production grew 23.8 percent.
- Production varies substantially from month to month. Therefore, a three-month average may provide a clearer indication of vehicle production patterns. The Michigan three-month average was up 2.3 percent from a year ago, compared with a 3.2 percent increase nationally.
- In 2003, state vehicle production was down 3.9 percent while national production was down 1.3 percent.

Light Vehicle Production Up Slightly Nationally and in Michigan



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2003 Average	Oct 2003	Nov 2003	Dec 2003	3 Month Average	Change from Year Ago	
						Level	%
U.S. Production ^(e)							
Autos	376.4	442.0	342.7	309.2	364.6	10.3	3.4%
Trucks	634.6	763.9	584.3	591.5	646.6	113.9	23.8%
Total	1,011.0	1,205.9	927.0	900.7	1,011.2	124.1	16.0%
Michigan Production ^(f)							
Autos	127.2	137.9	113.2	114.9	122.0	19.9	21.0%
Trucks	104.8	128.9	101.2	100.0	110.0	17.8	21.6%
Total	232.0	266.8	214.3	214.9	232.0	37.7	21.3%
Michigan as % of U.S.	22.9%	22.1%	23.1%	23.9%	22.9%	1.0% pts	

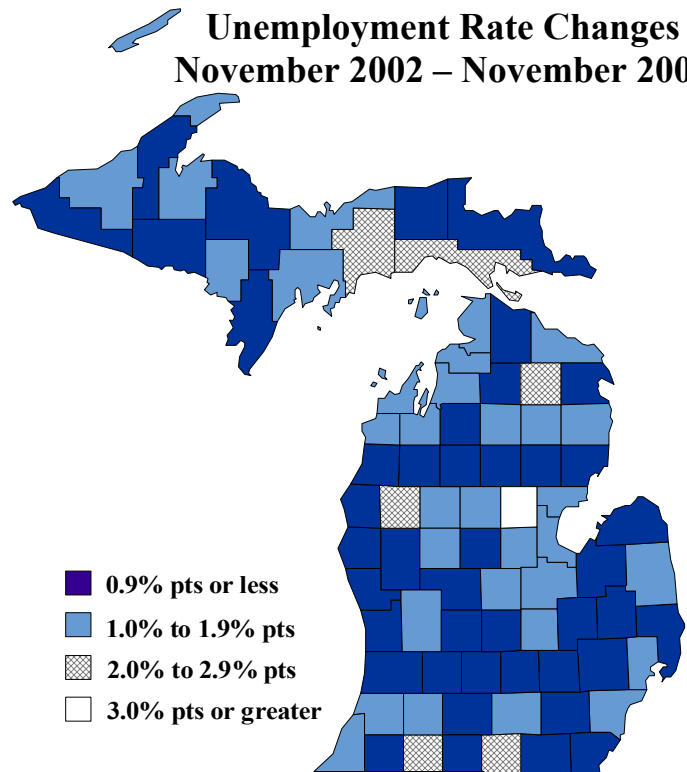
November 2003 Unemployment Rate Rose in All Areas (Not Seasonally Adjusted)

Compared to a year ago, November 2003 unemployment rates rose in all twelve major labor market areas. The median unemployment rate increase was 0.9 percentage points. Three of Michigan's nine MSAs reported unemployment rate increases of 1.0 percentage point or more.

The Benton Harbor MSA and Saginaw MSA reported the largest increases from a year ago with both up 1.6 percentage points. The Jackson MSA reported the third largest increase from a year ago with a 1.0 percentage point increase.

November 2003 unemployment rates ranged between 3.6 percent (Ann Arbor) and 8.5 percent (Flint). Ann Arbor and Lansing were the only areas to report an unemployment rate below 5.0 percent. Compared to October's unemployment rates, nine areas reported unemployment rate declines.

Unemployment Rate Changes November 2002 – November 2003



Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>Nov 2002 Rate</u>	<u>Nov 2003 Rate</u>	<u>Latest 3 Month Average</u>
Michigan	5.6%	6.5%	6.8%
Ann Arbor MSA	3.1%	3.6%	3.9%
Benton Harbor MSA	5.3%	6.9%	4.6%
Detroit PMSA	5.6%	6.5%	4.5%
Flint MSA	7.6%	8.5%	5.9%
GR-Musk-Holl MSA	6.0%	6.8%	7.1%
Jackson MSA	6.0%	7.0%	7.5%
Kal-Battle Creek MSA	4.9%	5.8%	6.0%
Lansing MSA	3.6%	4.3%	5.1%
Sag-Bay-Midland MSA	5.9%	7.5%	7.7%
Upper Peninsula	6.2%	7.0%	6.2%
Northeast Lower Mich	8.5%	9.5%	8.2%
Northwest Lower Mich.	6.4%	7.4%	6.8%

Compared to November 2002, unemployment rates rose in 78 counties, fell in three counties, and remained unchanged in two counties. Forty counties reported increases of 1.0 percentage point or more; seven recorded an increase of 2.0 percentage points or more.

Among Michigan's 83 counties, twelve counties reported a November unemployment rate of 10.0 percent or higher. Nine counties recorded an unemployment rate of 5.0 percent or less.

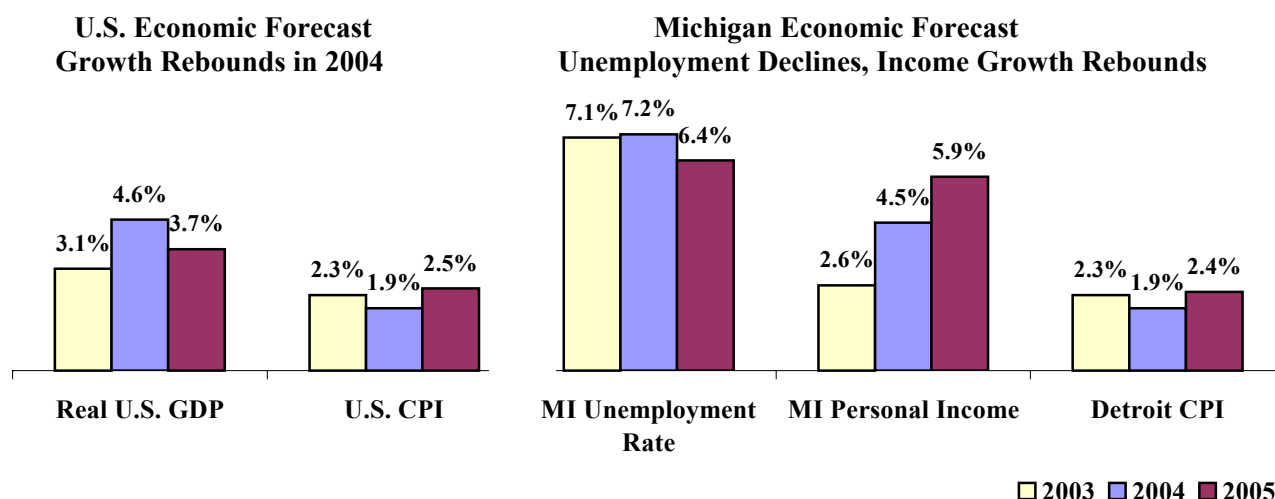
Source: Michigan Department of Labor and Economic Growth. Due to major methodological changes beginning in January 2003, household employment and unemployment level data are not comparable to earlier months.

Michigan Consensus Conference Economic Forecast

U.S. Stronger, Michigan Begins to Recover

At the Consensus Revenue Estimating Conference held January 14, 2004, the Michigan Department of Treasury, House Fiscal Agency (HFA) and Senate Fiscal Agency (SFA) agreed on economic and revenue forecasts for FY 2003-2004 and FY 2004-2005. The January 2004 Executive Summary is posted on the Michigan Department of Treasury's Web site at <http://www.michigan.gov/treasury>.

- The U.S. economy registered strong growth in the third quarter of 2003 with real GDP increasing 8.2 percent. However, employment growth is just beginning to recover and remains weak. Economic indicators suggest that growth will continue and that eventually employment growth will also increase. Real GDP is forecast to grow 4.6 percent in 2004 and increase 3.7 percent in 2005.
- The U.S. unemployment rate is forecast to average 5.6 percent in 2004 and 5.3 percent in 2005. Inflation is expected to remain at moderate levels, increasing 1.9 percent in 2004 and 2.5 percent in 2005.
- Light vehicle sales are forecast to slightly increase to 16.8 million units in 2004 and increase in 2005 to 16.9 million units.
- Michigan wage and salary employment is projected to increase 0.5 percent in 2004 after three straight years of decline. In 2005, wage and salary employment is forecast to grow 1.8 percent. Michigan's unemployment rate is projected to rise to 7.2 percent in 2004 and then fall to 6.4 percent in 2005.
- Michigan's personal income growth is projected to rise to 4.5 percent in 2004 and then increase to 5.9 percent growth in 2005. The Detroit CPI is forecast to rise 1.9 percent in 2004 and 2.4 percent in 2005. Thus real (inflation adjusted) personal income is forecast to increase 2.6 percent in 2004 and then increase to 3.5 percent in 2005.



U.S. Economic Conditions

	<u>Sep-03</u>	<u>Oct-03</u>	<u>Nov-03</u>	<u>Dec-03</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	87.7	89.6	93.7	92.6	5.9 points
ISM Manufacturing Index ⁽ⁱ⁾	53.7	57.0	62.8	66.2	11.0 points
ISM Non Manufacturing Index ⁽ⁱ⁾	63.3	64.7	60.1	58.6	4.4 points
	<u>2003.1</u>	<u>2003.2</u>	<u>2003.3</u>	<u>2003.4</u>	
Business Executives' Confidence ^(j)	53.0	60.0	67.0	66.0	8.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Sep-03</u>	<u>Oct-03</u>	<u>Nov-03</u>	<u>Dec-03</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	185.2	185.0	184.5	184.3	1.9%
Detroit CPI	NA	183.3	NA	181.3	0.9%
U.S. Producer Price Index	143.9	145.5	144.5	144.5	4.0%
INTEREST RATES					
90 Day T-Bill ^(l)	0.95%	0.93%	0.94%	0.90%	-0.30% points
Aaa Corporate Bonds ^(m)	5.72%	5.70%	5.65%	5.62%	-0.59% points
INDUSTRIAL PRODUCTION ⁽ⁿ⁾					
	111.5	111.9	113.1	113.2	2.3%
CAPACITY UTILIZATION ^(m)					
	74.9%	75.1%	75.8%	75.8%	0.9% points
RETAIL SALES ⁽ⁿ⁾					
	\$319.6	\$319.7	\$323.5	\$325.0	6.3%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Aug-03</u>	<u>Sep-03</u>	<u>Oct-03</u>	<u>Nov-03</u>	<u>% Change From Year Ago</u>
Housing Starts ^(o)	1.831	1.931	1.977	2.054	16.7%
Existing Home Sales ^(p)	6.460	6.680	6.350	6.050	6.7%
DURABLE GOODS ORDERS ^(q)					
	\$174.9	\$178.7	\$185.8	\$181.4	7.5%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2002.4</u>	<u>2003.1</u>	<u>2003.2</u>	<u>2003.3</u>	<u>% Change From Year Ago</u>
Michigan	\$307.4	\$308.0	\$311.3	\$313.2	2.1%
U.S.	\$8,982.8	\$9,057.7	\$9,144.4	\$9,248.0	3.6%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2000 Dollars) ^(c)	<u>2003.1</u>	<u>2003.2</u>	<u>2003.3</u>	<u>2003.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$10,210.4	\$10,288.3	\$10,493.1	\$10,597.1	4.0%

SOURCES AND NOTES:

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Dept. of Labor and Economic Growth, Employment Service Agency.
- (b) Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).
- (c) Seasonally adjusted annual rates. Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Ward's Automotive Reports.
- (e) Automotive News.
- (f) Michigan Department of Treasury.
- (g) Michigan Department of Labor and Economic Growth, Employment Service Agency.
- (h) University of Michigan Survey of Consumers.
- (i) Institute for Supply Management (ISM), formerly NAPM.
- (j) The Conference Board.
- (k) Bureau of Labor Statistics, U.S. Department of Labor.
- (l) U.S. Department of Treasury. Average of weekly averages.
- (m) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 1997 equals 100.
- (n) Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.
- (o) Bureau of the Census, U.S. Department of Commerce.
- (p) National Association of Realtors.
- (q) New Orders Excluding Semiconductors. Bureau of the Census, U.S. Department of Commerce.